



ALAN T. SASAKI
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 25, 2000

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Alan Sasaki
Auditor-Controller

Subject: **AUDIT OF DEPARTMENT OF CHILDREN AND FAMILY SERVICES
FY 98-99 CALIFORNIA DEPT. OF EDUCATION CHILD CARE GRANT**

The Department of Children and Family Services (DCFS) requested the annual audit of their Child Care Grant agreement with the California Department of Education (CDE). Simpson & Simpson, CPA's, conducted the audit under our Master Agreement Program for as-needed contract audits/studies.

The County of Los Angeles uses CDE funds in the Children's Protective Services Program (CPSP), which provides child care services to children who are subject to abuse, neglect or exploitation. Simpson & Simpson verified that DCFS maintained accounting and management systems and related internal controls to ensure that CPSP funds were controlled and expended in compliance with applicable federal and State laws, regulations, and contract provisions. A copy of that report is enclosed.

If you have any questions, please contact me.

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Enclosure

c: **Chief Administrative Office**
David E. Janssen, Chief Administrative Officer
Public Information Office
Executive Officer, Board of Supervisors
Audit Committee Members (6)
Department of Children and Family Services
Anita Bock, Director
Amaryllis Watkins, Acting Deputy Director
Genevra Gilden, Chief, Quality Assurance Division
Department of Public Social Services
Lynn W. Bayer, Director
Gail Dershewitz, Director, Management Information and Evaluation Section

AUDIT REPORT ON
COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
REPORTED CHILD CARE EXPENDITURES
JUNE 30, 1999

 *Simpson & Simpson*

***COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES***

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STATE DEPARTMENT OF EDUCATION CHILD CARE GRANT AUDIT

GENERAL INFORMATION

Full Official Name of Agency

Los Angeles County Department of Children and Family Services

Project Numbers

19-Y196-00-03510-8
19-Y196-00-03186-8
19-Y196-00-03694-8
19-Y196-00-03881-8

Type of Agency

County Welfare Department

Address of Agency

425 Shatto Place
Los Angeles, CA 90020

Name and Address of Chief Executive Officer

Anita Bock, Director
425 Shatto Place
Los Angeles, CA 90020
(213) 351-5600

Name and Address of Accountant

Barry Chass, Interim Finance Officer
425 Shatto Place
Los Angeles, CA 90020
(213) 351-5562

Period Covered by the Examination

July 1, 1998 to June 30, 1999 (19-Y196-00-03510-8)
July 1, 1998 to June 30, 1999 (19-Y196-00-03186-8)
July 1, 1998 to June 30, 1999 (19-Y196-00-03694-8)
July 1, 1998 to June 30, 1999 (19-Y196-00-03881-8)

Number of Days of Operation of Agency

250

Scheduled Hours of Operation Each Day

Opening Time: 8:00 a.m.
Closing Time: 5:00 p.m.
Hours Open: 9

INDEPENDENT AUDITOR'S REPORT

Ms. Anita Bock, Director
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

We have audited the accompanying Statement of Claims and Final Reimbursement Calculation of the County of Los Angeles Department of Children and Family Services (DCFS), Contract Numbers G3AP 8027, GAPP 8029, FAPP 8026, and F3AP 8030 as of and for the year ended June 30, 1999. These statements are the responsibility of DCFS' management. Our responsibility is to express an opinion on these statements based on our audits. We did not audit the Statement of Claims and Final Reimbursement Calculation of DCFS' subreipients, which represent 100% of the expenditures of Contract Number G3AP 8027, 72% of the expenditures of Contract Number FAPP 8026, and 58% of the expenditures of Contract Number F3AP 8030. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number G3AP 8027, Contract Number FAPP 8026, and Contract Number F3AP 8030, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, and procedures set forth in the "Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments," issued by the California Department of Education (CDE). Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by DCFS' management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these statements were prepared in conformity with the accounting practices prescribed by CDE, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 3, pursuant to the Welfare Reform Act of 1971, Los Angeles County is required to support the expansion of child care services by maintaining its fiscal year 1970-71 expenditures level of \$170,019. We determined that Los Angeles County did meet this requirement.



As explained in Note 4, we have not audited DCFS' claimed other related child care costs and administrative costs. Therefore, we do not express an opinion on the claimed other related child care costs and administrative costs.

In our opinion, except for DCFS' claimed other related child care costs and administrative costs as noted above, based on our audit and the reports of other auditors, the statements referred to above present fairly, in all material respects the allowable child care expenditures of DCFS' Child Development Programs Contract Numbers G3AP 8027, GAPP 8029, FAPP 8026, and F3AP 8030 as of and for the year ended June 30, 1999 on the basis of accounting described in Note 1.

This report is intended solely for filing with regulatory agencies and is not intended for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script that reads "Simpson ; Simpson".

Los Angeles, California
January 3, 2000

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAM PROJECT NO. 19-Y196-00-03510-8

CONTRACT NO. G3AP 8027

STATEMENT OF CLAIM
For the Year Ended June 30, 1999

Program Expenditures

Direct Payments to Child Care Providers (Notes 2 & 7)	\$ 228,829
Start-Up Costs	-0-
Other Related Child Care Costs (Note 4)	43,391
Administrative Costs (Note 4)	<u>11,719</u>
Total Expenditures	<u>283,939</u>

Program Funds Received

Advances Received From State	<u>3,433,498</u>
Total Funds Received	<u>3,433,498</u>
Total Program Funds Due State	\$ <u><u>3,149,559</u></u>

The notes are an integral part of these statements.

Agency Name: County of Los Angeles -
Department of Children and Family Services
Vendor Number: 19-Y196-00-03510-8
Program Name: General Alternative Payment Program
Contract Number: G3AP-8027
Worksheet Type: CalWorks Stage 3

California Department of Education
Audits and Investigations Division
Audited Final Reimbursement Calculation
Fiscal Year Ended June 30, 1999

1. Total Costs (includes Start-Up)	\$283,939
2. Restricted Income:	
a. Child Care Food Program	\$0
b. State Meal Allowance	\$0
c. Transfers from Alternative Payment Reserve Account	\$0
d. Other (Specify)	\$0
e. Other (Specify)	\$0
Total Restricted Income	\$0
3. Non-Reimbursable Costs:	
a. Capital Outlay	\$0
b. Migrant Specialized Services Supplement	\$0
c. Questioned Costs (Specify)	\$0
d. Depreciation	\$0
e. Costs in Line 1 Paid From Funds Not Listed in Line 2 (Specify)	\$0
f. Other (Specify)	\$0
g. Other (Specify)	\$0
Total Non-Reimbursable Costs	\$0
4. Net Costs (Line 1 - Line 2 - Line 3)	\$283,939
5. Administrative Costs:	
a. Actual Costs	\$11,719
b. Maximum Allowable (Line 4 * 5%)	\$14,197
c. Excess Administrative Costs (Line 5a - Line 5b; if < 0, then 0)	\$0
6. Adjusted Net Reimbursable Costs (Line 4 - Line 5c)	\$283,939
7. Days of Operation Adjustment Factor:	
a. Actual Days of Operation	250
b. Minimum Days of Operation Per Contract	250
c. Actual Days of Operation Percentage (Line 10a / Line 10b)	100.00%
d. Two Percent Flexibility if Line 10c = 98% or more, Maximum = 100%	100.00%
8. Start-Up Costs:	
a. Actual Costs	\$0
b. Maximum Start-Up Per Contract	\$564,177
c. Allowable Start-Up Costs (Lesser of Line 8a or 8b)	\$0
9. Total Adjusted Maximum Reimbursable Amount (MRA):	
a. MRA per Contract	\$3,761,178
b. Operational MRA (Line 9a - Line 8c)	\$3,761,178
c. Operational MRA Adjusted for Days of Operation (Line 9b * Line 7d; if "Respite Care" program, use Line 9b)	\$3,761,178
d. Total Adjusted MRA (Line 9c + Line 8c)	\$3,761,178
10. Support Service Earnings	
a. Provider Payments	\$228,829
b. Actual Administration and Support Services (Line 4 - Line 10a - Line 8c)	\$55,110
c. Maximum Non-Provider Percent Allowed	25.00%
d. Maximum Administrative and Support Services Earned (Lesser of Line 10b or (Line 10a * Line 10c))	\$55,110
e. Support Service Earnings (Line 10a + Line 8c + Line 10d)	\$283,939

The notes are an integral part of these statements.

Agency Name: County of Los Angeles -
Department of Children and Family Services
Vendor Number: 19-Y196-00-03510-8
Program Name: General Alternative Payment Program
Contract Number: G3AP-8027
Worksheet Type: CalWorks Stage 3

California Department of Education
Audits and Investigations Division
Audited Final Reimbursement Calculation
Fiscal Year Ended June 30, 1999

11. Reimbursable Costs (Lesser of Line 6 or 10e)	\$283,939
12. Parent Fees and Interest	
a. Parent Fees	\$0
b. Interest	\$0
c. Total Parent Fees and Interest (Line 12a + Line 12b)	\$0
13. Fiscal Year Earnings (Line 11 - Line 12c)	\$283,939
14. Fiscal Year Reimbursable Earnings (Lesser of Line 13 or Line 9d)	\$283,939
15. Transfer to Child Development Reserve (from worksheet apreserve2)	\$0
16. Apportionments to Date	\$3,433,498
17. Balance Due Agency from the State [(Line 14 + Line 15) - Line 16]	\$0
18. Balance Owed to the State:	
a. Total Owed to the State [Line 16 - (Line 16 + Line 17)]	\$3,149,559
b. Apportionment Above Adjusted MRA (Line 16 - Line 9d)	\$0
c. Unearned Reimbursement (Line 18a - Line 18b)	\$3,149,559
d. Interest Billing (Lesser of Line 12b or Line 18c)	\$0
e. Contract Billing (Line 18a - Line 18d)	\$3,149,559

The notes are an integral part of these statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAM PROJECT NO. 19-Y196-00-03186-8

CONTRACT NO. GAPP 8029

STATEMENT OF CLAIM
For the Year Ended June 30, 1999

Program Expenditures

Direct Payments to Child Care Providers (Note 2)	\$ 1,094,266
Direct Payments to Meet Maintenance of Effort Requirement (Note 3)	170,019
Other Related Child Care Costs (Note 4)	292,569
Administrative Costs (Note 4)	<u>15,118</u>
 Total Expenditures	 <u>1,571,972</u>

Program Funds Received

Advances Received From State	1,077,311
Funds Used to Satisfy Maintenance of Effort Requirement (Note 3)	<u>170,019</u>
 Total Funds Received	 <u>1,247,330</u>
 Total Program Funds Due From State	 \$ <u>324,642</u>

The notes are an integral part of these statements.

Agency Name: County of Los Angeles -
Department of Children and Family Services
Vendor Number: 19-Y196-00-03186-8
Program Name: Alternative Payment Program
Contract Number: GAPP 8029
Worksheet Type: Alternative Payment

California Department of Education
Audits and Investigations Division
Audited Final Reimbursement Calculation
Fiscal Year Ended June 30, 1999

1. Total Costs (includes Start-Up)	\$1,571,972
2. Restricted Income:	
a. Child Care Food Program	\$0
b. State Meal Allowance	\$0
c. Transfers from Alternative Payment Reserve Account	\$0
d. Other (Specify)	\$0
e. Other (Specify)	\$0
Total Restricted Income	\$0
3. Non-Reimbursable Costs:	
a. Capital Outlay	\$0
b. Migrant Specialized Services Supplement	\$0
c. Questioned Costs (Specify)	\$0
d. Depreciation	\$0
e. Costs in Line 1 Paid From Funds Not Listed in Line 2 (Specify)	\$0
f. Payment to Meet Maintenance of Effort Requirement	\$170,019
g. Other (Specify)	\$0
Total Non-Reimbursable Costs	\$170,019
4. Net Costs (Line 1 - Line 2 - Line 3)	\$1,401,953
5. Administrative Costs:	
a. Actual Costs	\$15,118
b. Maximum Allowable (Line 4 * 5%)	\$70,098
c. Excess Administrative Costs (Line 5a - Line 5b; if < 0, then 0)	\$0
6. Adjusted Net Reimbursable Costs (Line 4 - Line 5c)	\$1,401,953
7. Days of Operation Adjustment Factor:	
a. Actual Days of Operation	250
b. Minimum Days of Operation Per Contract	250
c. Actual Days of Operation Percentage (Line 10a / Line 10b)	100.00%
d. Two Percent Flexibility if Line 10c = 98% or more, Maximum = 100%	100.00%
8. Start-Up Costs:	
a. Actual Costs	\$0
b. Maximum Start-Up Per Contract	\$0
c. Allowable Start-Up Costs (Lesser of Line 8a or 8b)	\$0
9. Total Adjusted Maximum Reimbursable Amount (MRA):	
a. MRA per Contract	\$1,420,383
b. Operational MRA (Line 9a - Line 8c)	\$1,420,383
c. Operational MRA Adjusted for Days of Operation (Line 9b * Line 7d; if "Respite Care" program, use Line 9b)	\$1,420,383
d. Total Adjusted MRA (Line 9c + Line 8c)	\$1,420,383
10. Support Service Earnings	
a. Provider Payments	\$1,094,266
b. Actual Administration and Support Services (Line 4 - Line 10a - Line 8c)	\$307,687
c. Maximum Non-Provider Percent Allowed	25.00%
d. Maximum Administrative and Support Services Earned (Lesser of Line 10b or (Line 6 * Line 10c))	\$307,687
e. Support Service Earnings (Line 10a + Line 8c + Line 10d)	\$1,401,953
11. Reimbursable Costs (Lesser of Line 6 or 10e)	\$1,401,953

The notes are an integral part of these statements.

Agency Name: County of Los Angeles -
 Department of Children and Family Services
 Vendor Number: 19-Y196-00-03186-8
 Program Name: Alternative Payment Program
 Contract Number: GAPP 8029
 Worksheet Type: Alternative Payment

California Department of Education
 Audits and Investigations Division
 Audited Final Reimbursement Calculation
 Fiscal Year Ended June 30, 1999

12. Parent Fees and Interest	
a. Parent Fees	\$0
b. Interest	\$0
c. Total Parent Fees and Interest (Line 12a + Line 12b)	\$0
13. Fiscal Year Earnings (Line 11 - Line 12c)	\$1,401,953
14. Fiscal Year Reimbursable Earnings (Lesser of Line 13 or Line 9d)	\$1,401,953
15. Transfer to Child Development Reserve (from worksheet apreserve2)	\$0
16. Apportionments to Date	\$1,077,311
17. Balance Due Agency from the State [(Line 14 + Line 15) - Line 16]	\$324,642
18. Balance Owed to the State:	
a. Total Owed to the State [Line 16 - (Line 14 + Line 15)]	\$0
b. Apportionment Above Adjusted MRA (Line 16 - Line 9d)	\$0
c. Unearned Reimbursement (Line 18a - Line 18b)	\$0
d. Interest Billing (Lesser of Line 12b or Line 18c)	\$0
e. Contract Billing (Line 18a - Line 18d)	\$0

The notes are an integral part of these statements.

**COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

CHILD DEVELOPMENT PROGRAM PROJECT NO. 19-Y196-00-03694-8

CONTRACT NO. FAPP 8026

**STATEMENT OF CLAIM
For the Year Ended June 30, 1999**

Program Expenditures

Direct Payments to Child Care Providers (Notes 2 & 7)	\$ 3,801,100
Start-Up Costs	-0-
Other Related Child Care Costs (Note 4)	1,043,347
Administrative Costs (Note 4)	<u>158,887</u>
Total Expenditures	<u>5,003,334</u>

Program Funds Received

Advances Received From State	<u>5,273,184</u>
Total Funds Received	<u>5,273,184</u>
Total Program Funds Due State	\$ <u><u>269,850</u></u>

The notes are an integral part of these statements.

Agency Name: County of Los Angeles -
Department of Children and Family Services
Vendor Number: 19-Y196-00-03694-8
Program Name: Alternative Payment Program
Contract Number: FAPP 8026
Worksheet Type: Alternative Payment

California Department of Education
Audits and Investigations Division
Audited Final Reimbursement Calculation
Fiscal Year Ended June 30, 1999

1. Total Costs (includes Start-Up)	\$5,003,334
2. Restricted Income:	
a. Child Care Food Program	\$0
b. State Meal Allowance	\$0
c. Transfers from Alternative Payment Reserve Account	\$0
d. Other (Specify)	\$0
e. Other (Specify)	\$0
Total Restricted Income	\$0
3. Non-Reimbursable Costs:	
a. Capital Outlay	\$0
b. Migrant Specialized Services Supplement	\$0
c. Questioned Costs (Specify)	\$0
d. Depreciation	\$0
e. Costs in Line 1 Paid From Funds Not Listed in Line 2 (Specify)	\$0
f. Other (Specify)	\$0
g. Other (Specify)	\$0
Total Non-Reimbursable Costs	\$0
4. Net Costs (Line 1 - Line 2 - Line 3)	\$5,003,334
5. Administrative Costs:	
a. Actual Costs	\$158,887
b. Maximum Allowable (Line 4 * 5%)	\$250,167
c. Excess Administrative Costs (Line 5a - Line 5b; if < 0, then 0)	\$0
6. Adjusted Net Reimbursable Costs (Line 4 - Line 5c)	\$5,003,334
7. Days of Operation Adjustment Factor:	
a. Actual Days of Operation	250
b. Minimum Days of Operation Per Contract	250
c. Actual Days of Operation Percentage (Line 10a / Line 10b)	100.00%
d. Two Percent Flexibility if Line 10c = 98% or more, Maximum = 100%	100.00%
8. Start-Up Costs:	
a. Actual Costs	\$0
b. Maximum Start-Up Per Contract	\$0
c. Allowable Start-Up Costs (Lesser of Line 8a or 8b)	\$0
9. Total Adjusted Maximum Reimbursable Amount (MRA):	
a. MRA per Contract	\$5,273,184
b. Operational MRA (Line 9a - Line 8c)	\$5,273,184
c. Operational MRA Adjusted for Days of Operation (Line 9b * Line 7d; if "Respite Care" program, use Line 9b)	\$5,273,184
d. Total Adjusted MRA (Line 9c + Line 8c)	\$5,273,184
10. Support Service Earnings	
a. Provider Payments	\$3,801,100
b. Actual Administration and Support Services (Line 4 - Line 10a - Line 8c)	\$1,202,234
c. Maximum Non-Provider Percent Allowed	25.00%
d. Maximum Administrative and Support Services Earned (Lesser of Line 10b or (Line 6 * Line 10c))	\$1,202,234
e. Support Service Earnings (Line 10a + Line 8c + Line 10d)	\$5,003,334
11. Reimbursable Costs (Lesser of Line 6 or 10e)	\$5,003,334

The notes are an integral part of these statements.

Agency Name: County of Los Angeles -
 Department of Children and Family Services
 Vendor Number: 19-Y196-00-03694-8
 Program Name: Alternative Payment Program
 Contract Number: FAPP 8026
 Worksheet Type: Alternative Payment

California Department of Education
 Audits and Investigations Division
 Audited Final Reimbursement Calculation
 Fiscal Year Ended June 30, 1999

12. Parent Fees and Interest	
a. Parent Fees	\$0
b. Interest	\$0
c. Total Parent Fees and Interest (Line 12a + Line 12b)	\$0
13. Fiscal Year Earnings (Line 11 - Line 12c)	\$5,003,334
14. Fiscal Year Reimbursable Earnings (Lesser of Line 13 or Line 9d)	\$5,003,334
15. Transfer to Child Development Reserve (from worksheet apreserve2)	\$0
16. Apportionments to Date	\$5,273,184
17. Balance Due Agency from the State [(Line 14 + Line 15) - Line 16]	\$0
18. Balance Owed to the State:	
a. Total Owed to the State [Line 16 - (Line 14 + Line 15)]	\$269,850
b. Apportionment Above Adjusted MRA (Line 16 - Line 9d)	\$0
c. Unearned Reimbursement (Line 18a - Line 18b)	\$269,850
d. Interest Billing (Lesser of Line 12b or Line 18c)	\$0
e. Contract Billing (Line 18a - Line 18d)	\$269,850

The notes are an integral part of these statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAM PROJECT NO. 19-Y196-00-03881-8

CONTRACT NO. F3AP 8030

STATEMENT OF CLAIM
For the Year Ended June 30, 1999

Program Expenditures

Direct Payments to Child Care Providers (Notes 2 & 7)	\$ 2,163,752
Start-Up Costs	-0-
Other Related Child Care Costs (Note 4)	431,970
Administrative Costs (Note 4)	<u>72,925</u>
Total Expenditures	<u>2,668,647</u>

Program Funds Received

Advances Received From State	<u>0</u>
Total Funds Received	<u>0</u>
Total Program Funds Due From State	\$ <u><u>2,668,647</u></u>

The notes are an integral part of these statements.

Agency Name: County of Los Angeles -
Department of Children and Family Services
Vendor Number: 19-Y196-00-03881-8
Program Name: Federal Alternative Payment Program
Contract Number: F3AP-8030
Worksheet Type: CalWorks Stage 3

California Department of Education
Audits and Investigations Division
Audited Final Reimbursement Calculation
Fiscal Year Ended June 30, 1999

1. Total Costs (includes Start-Up)	\$2,668,647
2. Restricted Income:	
a. Child Care Food Program	\$0
b. State Meal Allowance	\$0
c. Transfers from Alternative Payment Reserve Account	\$0
d. Other (Specify)	\$0
e. Other (Specify)	\$0
Total Restricted Income	\$0
3. Non-Reimbursable Costs:	
a. Capital Outlay	\$0
b. Migrant Specialized Services Supplement	\$0
c. Questioned Costs (Specify)	\$0
d. Depreciation	\$0
e. Costs in Line 1 Paid From Funds Not Listed in Line 2 (Specify)	\$0
f. Other (Specify)	\$0
g. Other (Specify)	\$0
Total Non-Reimbursable Costs	\$0
4. Net Costs (Line 1 - Line 2 - Line 3)	\$2,668,647
5. Administrative Costs:	
a. Actual Costs	\$72,925
b. Maximum Allowable (Line 4 * 5%)	\$133,432
c. Excess Administrative Costs (Line 5a - Line 5b; if < 0, then 0)	\$0
6. Adjusted Net Reimbursable Costs (Line 4 - Line 5c)	\$2,668,647
7. Days of Operation Adjustment Factor:	
a. Actual Days of Operation	250
b. Minimum Days of Operation Per Contract	250
c. Actual Days of Operation Percentage (Line 10a / Line 10b)	100.00%
d. Two Percent Flexibility if Line 10c = 98% or more, Maximum = 100%	100.00%
8. Start-Up Costs:	
a. Actual Costs	\$0
b. Maximum Start-Up Per Contract	\$0
c. Allowable Start-Up Costs (Lesser of Line 8a or 8b)	\$0
9. Total Adjusted Maximum Reimbursable Amount (MRA):	
a. MRA per Contract	\$2,939,164
b. Operational MRA (Line 9a - Line 8c)	\$2,939,164
c. Operational MRA Adjusted for Days of Operation (Line 9b * Line 7d; if "Respite Care" program, use Line 9b)	\$2,939,164
d. Total Adjusted MRA (Line 9c + Line 8c)	\$2,939,164
10. Support Service Earnings	
a. Provider Payments	\$2,163,752
b. Actual Administration and Support Services (Line 4 - Line 10a - Line 8c)	\$504,895
c. Maximum Non-Provider Percent Allowed	25.00%
d. Maximum Administrative and Support Services Earned (Lesser of Line 10b or (Line 6 * Line 10c))	\$504,895
e. Support Service Earnings (Line 10a + Line 8c + Line 10d)	\$2,668,647

The notes are an integral part of these statements.

Agency Name: County of Los Angeles -
Department of Children and Family Services
Vendor Number: 19-Y196-00-03881-8
Program Name: Federal Alternative Payment Program
Contract Number: F3AP-8030
Worksheet Type: CalWorks Stage 3

California Department of Education
Audits and Investigations Division
Audited Final Reimbursement Calculation
Fiscal Year Ended June 30, 1999

11. Reimbursable Costs (Lesser of Line 6 or 10e)	\$2,668,647
12. Parent Fees and Interest	
a. Parent Fees	\$0
b. Interest	\$0
c. Total Parent Fees and Interest (Line 12a + Line 12b)	\$0
13. Fiscal Year Earnings (Line 11 - Line 12c)	\$2,668,647
14. Fiscal Year Reimbursable Earnings (Lesser of Line 13 or Line 9d)	\$2,668,647
15. Transfer to Child Development Reserve (from worksheet apreserve2)	\$0
16. Apportionments to Date	\$0
17. Balance Due Agency from the State [(Line 14 + Line 15) - Line 16]	\$2,668,647
18. Balance Owed to the State:	
a. Total Owed to the State [Line 16 - (Line 16 + Line 17)]	\$0
b. Apportionment Above Adjusted MRA (Line 16 - Line 9d)	\$0
c. Unearned Reimbursement (Line 18a - Line 18b)	\$0
d. Interest Billing (Lesser of Line 12b or Line 18c)	\$0
e. Contract Billing (Line 18a - Line 18d)	\$0

The notes are an integral part of these statements.

**COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

NOTES TO STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to Chapter 324, Item 6100-196-001, of the State Budget Act of 1983, the California Department of Education (CDE) made funds available to Los Angeles County to provide child day care services for families qualifying under the State's Child Development Guidelines. The maximum reimbursable amount (MRA) in the Standard Agreement between CDE and the County of Los Angeles for the fiscal year 1998/99 is \$3,761,178 for Project No. 19-Y196-00-03510-8, \$1,420,383 for Project No. 19-Y196-00-03186-8, \$5,273,184 for Project No. 19-Y196-00-03694-8, and \$2,939,164 for Project No. 19-Y196-00-03881-8.

DCFS uses CDE funds in the Children's Protective Services Program. The Children's Protective Services Program provides child care services to children who are subject to abuse, neglect or exploitation.

During the fiscal year 1998/99, a net total of \$228,829 for Project No. 19-Y196-00-03510-8, \$1,094,266 for Project No. 19-Y196-00-03186-8, \$3,801,100 for Project No. 19-Y196-00-03694-8, and \$2,163,752 for Project No. 19-Y196-00-03881-8 in direct provider payments were made by DCFS. The child care services were provided by individual child care providers or by private day care centers. (Also see Note 7.)

Basis of Accounting

The accompanying statements were prepared in conformity with accounting procedures prescribed by the California Department of Education (CDE). These procedures require that transactions be recorded on a cash basis. Generally accepted accounting principles require an accrual basis of accounting by which revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the accounting period incurred, if measurable. Accordingly, the accompanying statements are not intended to be in conformity with generally accepted accounting principles.

**COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

**NOTES TO STATEMENTS
(Continued)**

NOTE 2 - DIRECT PAYMENTS TO CHILD CARE PROVIDERS

Direct provider payments are reported in the contract year the services are authorized and provided, in accordance with CDE's "Funding Terms and Conditions for Child Development Programs."

Direct provider payments to eligible families/child care providers represent vendor payments made to individual providers and private day care centers for child care services. Under the child care payment system, invoices can be submitted by child care providers up to 60 days from the original due date. The amount of outstanding invoices was not determinable at the close of the audit.

Project No. 19-Y196-00-03510-8

On June 30, 1999, "Fiscal Report For CALWORKs Stage 3/Alternative Payment or Family Child Care Home Programs" (i.e., the claim) for Project No. 19-Y196-00-03510-8 (State Funded Project), DCFS reported direct provider payments of \$228,829. The Maximum Reimbursable Amount (MRA) for the project is \$3,761,178; therefore, the direct provider payments did not exceed the MRA.

Project No. 19-Y196-00-03186-8

On June 30, 1999, "Fiscal Report For Alternative Payment or Family Child Care Home Programs" (i.e., the claim) for Project No. 19-Y196-00-03186-8 (State Funded Project), DCFS reported direct provider payments of \$1,264,285. However, included in this amount was \$170,019 related to payments made by the County of Los Angeles, Department of Children and Family Services (DCFS) to meet its Maintenance of Effort (MOE). Therefore, direct provider payments are \$1,094,266 (\$1,264,285 less \$170,019), which did not exceed the MRA of \$1,420,383.

Project No. 19-Y196-00-03694-8

On June 30, 1999, "Fiscal Report for CCD Block Grant AP Programs" for Project No. 19-Y196-00-03694-8 (Federal Funded Project), DCFS reported direct provider payments of \$3,801,100. The Maximum Reimbursable Amount (MRA) for the project is \$5,273,184; therefore, the direct provider payments did not exceed the MRA.

These notes are an integral part of the preceding statements.

**COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

**NOTES TO STATEMENTS
(Continued)**

NOTE 2 - DIRECT PAYMENTS TO CHILD CARE PROVIDERS (Continued)

Project No. 19-Y196-00-03881-8

On June 30, 1999, "Fiscal Report For CALWORKs Stage 3/Alternative Payment or Family Child Care Home Programs" (i.e., the claim) for Project No. 19-Y196-00-03881-8 (Federal Funded Project), DCFS reported direct provider payments of \$2,163,752. The Maximum Reimbursable Amount (MRA) for the project is \$2,939,164; therefore, the direct provider payments did not exceed the MRA.

NOTE 3 - MAINTENANCE OF EFFORT

Pursuant to the Welfare Reform Act of 1971, Los Angeles County's "Maintenance of Effort" (MOE) amount is \$170,019. During our audit, we verified that DCFS satisfied its MOE requirement.

NOTE 4 - ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS

Other Related Child Care Costs (ORCCC) consist of the costs of providing direct services which include the position responsible for recruitment, site inspection, license verification, eligibility determination, review and supervision of placement and the costs related to these positions.

The California Department of Social Services (CDSS) audits DCFS' administrative costs and ORCCC. As of the close of our audit, the State had not audited the fiscal year 1998/1999 costs. Our examination of the claimed DCFS' administrative costs and ORCCC was limited to a verification of the cost allocation percentages which were used as a basis for determining DCFS' administrative costs and ORCCC allocable to the Child Development Program for each quarter. Because the total DCFS' administrative costs and ORCCC are unaudited, we do not express an opinion on them.

Project No. 19-Y196-00-03510-8

The Audit Guide indicates that DCFS' administrative costs and ORCCC should not exceed 25% of the direct provider payments of \$57,207 (25% of \$228,829) or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-03510-8, DCFS incurred a total of \$55,110 in administrative costs and ORCCC associated with the Child Development Program. Therefore, DCFS can claim as much as \$55,110.

These notes are an integral part of the preceding statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

NOTES TO STATEMENTS
(Continued)

NOTE 4 – ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS
(Continued)

Furthermore, the Audit Guide indicates that administrative costs alone should not exceed 5% of the net reimbursable cost \$14,197 (5% of \$283,939) or actual administrative costs, whichever is less. For Project No. 19-Y196-00-03510-8, DCFS incurred a total of \$11,719 in administrative costs associated with the Child Development Program. Therefore, DCFS can claim as much as \$11,719 for administrative costs.

Project-19-Y196-00-03186-8

The Audit Guide indicates that DCFS' administrative costs and ORCCC should not exceed 25% of the net reimbursable cost \$350,488 (25% of \$1,401,953) or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-03186-8, DCFS incurred a total of \$307,687 in administrative costs and ORCCC associated with the Child Development Program. Therefore, DCFS can claim as much as \$307,687.

Furthermore, the Audit Guide indicates that administrative costs alone should not exceed 5% of the net reimbursable cost \$70,098 (5% of \$1,401,953) or actual administrative costs, whichever is less. For Project No. 19-Y196-00-03186-8, DCFS incurred a total of \$15,118 in administrative costs associated with the Child Development Program. DCFS also incurred \$3,843 in audit fees for the performance of the fiscal year 1998/99 program audit. We have included these costs within the total administrative costs shown in the fiscal year 1998/99 statements, as specified in the "Audit Guide for Auditors of Child Development Programs Administered by the County Welfare Departments (Audit Guide)." Therefore, DCFS can claim as much as \$15,118 for administrative costs.

Project No. 19-Y196-00-03694-8

The Audit Guide indicates that DCFS' administrative costs and ORCCC should not exceed 25% of the net reimbursable cost \$1,250,834 (25% of \$5,003,334) or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-03694-8, DCFS incurred a total of \$1,202,234 in administrative costs and ORCCC associated with the Child Development Program. Therefore, DCFS can claim as much as \$1,202,234.

Furthermore, the Audit Guide indicates that administrative costs alone should not exceed 5% of the net reimbursable cost \$250,167 (5% of \$5,003,334) or actual administrative costs, whichever is less. For Project No. 19-Y196-00-03694-8, DCFS incurred a total of \$158,887 in administrative costs associated with the Child Development Program. DCFS also incurred \$4,377 in audit fees for the performance of the fiscal year 1998/99 program

**COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

**NOTES TO STATEMENTS
(Continued)**

**NOTE 4 – ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS
(Continued)**

audit. We have included these costs within the total administrative costs shown in the fiscal year 1998/99 statements, as specified in the Audit Guide. Therefore, DCFS can claim as much as \$158,887 for administrative costs.

Project No. 19-Y196-00-03881-8

The Audit Guide indicates that DCFS' administrative costs and ORCCC should not exceed 25% of the net reimbursable cost \$667,162 (25% of \$2,668,647) or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-03881-8, DCFS incurred a total of \$504,895 in administrative costs and ORCCC associated with the Child Development Program. Therefore, DCFS can claim as much as \$504,895.

Furthermore, the Audit Guide indicates that administrative costs alone should not exceed 5% of the net reimbursable cost \$133,432 (5% of \$2,668,647) or actual administrative costs, whichever is less. For Project No. 19-Y196-00-03881-8, DCFS incurred a total of \$72,925 in administrative costs associated with the Child Development Program. DCFS also incurred \$2,456 in audit fees for the performance of the fiscal year 1998/99 program audit. We have included these costs within the total administrative costs shown in the fiscal year 1998/99 statements, as specified in the Audit Guide. Therefore, DCFS can claim as much as \$72,925.

NOTE 5 - DAYS OF OPERATION ADJUSTMENT FACTOR

The Days of Operation Adjustment Factor was computed by dividing the Actual Days of Operation (ADO) by the Minimum Days of Operation (MDO) per the Audit Guide. The Audit Guide states that if the Operation Adjustment Factor is 98% or more, 100% is used.

NOTE 6 - OPERATIONAL MRA ADJUSTED FOR DAYS OF OPERATION

The Operational MRA Adjusted for Days of Operation was computed by multiplying the Operational MRA by the Days of Operation Adjustment Factor (i.e., 100%) as specified in the Audit Guide.

These notes are an integral part of the preceding statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

NOTES TO STATEMENTS
(Continued)

NOTE 7 - SUBRECIPIENTS EXPENDITURES AUDITED BY OTHER AUDITORS

Contract Number G3AP 8027

For purposes of the Statement of Claim and Final Reimbursement Calculation noted at pages 6 to 8, the expenditures were taken from the following subrecipients' audited fiscal reports.

Child Care Resource Center	\$ 127,685
International Institute	23,434
Options	<u>132,820</u>
Total	\$ <u>283,939</u>

The expenditures noted above which represent 100% of the total expenditures of Contract Number G3AP 8027, were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number G3AP 8027, is based solely on the reports of the other auditors.

Contract Number FAPP 8026

For purposes of the Statement of Claim and Final Reimbursement Calculation noted at pages 12 to 14, the expenditures were taken from the following subrecipients' audited fiscal reports.

Child Care Information Service	\$ 99,717
Child Care Resource Center	567,874
Child & Family Services	315,736
Children's Home Society	420,291
Connections for Children	154,997
Crystal Stairs, Inc.	1,032,136
Equipoise, Inc.	367,131
Mexican American Foundation	198,331
Options	210,927
Pomona Unified School District	203,085
International Institute	<u>40,053</u>
Total	\$ <u>3,610,278</u>

These notes are an integral part of the preceding statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

NOTES TO STATEMENTS
(Continued)

NOTE 7 - SUBRECIPIENTS EXPENDITURES AUDITED BY OTHER AUDITORS
(Continued)

The expenditures noted above which represent 72% of the total expenditures of Contract Number FAPP 8026, were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 8026, is based solely on the reports of the other auditors.

Contract Number F3AP 8030

For purposes of the Statement of Claim and Final Reimbursement Calculation noted at pages 15 to 17, the expenditures were taken from the following subrecipients' audited fiscal reports.

Child Care Information Service	\$ 50,936
Child Care Resource Center	168,637
Child & Family Services	141,757
Children's Home Society	237,697
Connections for Children	4,506
Crystal Stairs, Inc.	575,291
Equipoise, Inc.	171,153
Mexican American Foundation	108,435
Pomona Unified School District	<u>96,343</u>
Total	\$ <u><u>1,554,755</u></u>

The expenditures noted above which represent 58% of the total expenditures of Contract Number F3AP 8030, were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number F3AP 8030, is based solely on the reports of the other auditors.

These notes are an integral part of the preceding statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

Ms. Anita Bock, Director
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

We have audited the accompanying Statements of Claim and Final Reimbursement Calculation of the County of Los Angeles, Department of Children and Family Services (DCFS), Contract Numbers G3AP 8027, GAPP 8029, FAPP 8026, and F3AP 8030 as of and for the year ended June 30, 1999 and have issued our report thereon dated January 3, 2000.

We conducted our audit in accordance with generally accepted auditing standards, and procedures set forth in the "Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments," issued by the California Department of Education (CDE). Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the statements are free of material misstatements.

In planning and performing our audit of DCFS' statements referred to above for the Child Development Program, Contract Numbers G3AP 8027, GAPP 8029, FAPP 8026, and F3AP 8030 as of and for the year ended June 30, 1999, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the statements and not to provide assurance on the internal control structure.

The management of DCFS is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

- Cash Receipts/Revenue
- Cash Disbursements/Expenditures

Administrative Controls

- Day Care Authorization
- Payment Procedures

For all of the internal control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of each internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving each internal control structure and operations that we consider to be material weaknesses defined above.

This report is intended solely for the information and use of the County Board of Supervisors, the Audit Committee, CDE, the management of DCFS and others within DCFS. The restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink that reads "Simpson & Simpson". The signature is written in a cursive style, with the ampersand clearly visible.

Los Angeles, California
January 3, 2000

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS

Ms. Anita Bock
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

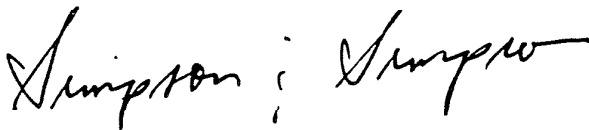
We have audited the accompanying Statements of Claims and Final Reimbursement Calculation of the County of Los Angeles, Department of Children and Family Services (DCFS), Contract Numbers G3AP 8027, GAPP 8029, FAPP 8026, and F3AP 8030 as of and for the year ended June 30, 1999, and have issued our report thereon January 3, 2000.

We conducted our audit in accordance with generally accepted auditing standards and procedures set forth in the "Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments," issued by the California Department of Education (CDE). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the program statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to DCFS is the responsibility of DCFS' management. As part of obtaining reasonable assurance about whether the program statements are free of material misstatement, we performed tests of DCFS' compliance with certain provisions of laws, regulations, contracts and grants. However, the objective was not to provide an opinion on the overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, DCFS complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that DCFS had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the County Board of Supervisors, the Audit Committee, CDE, the management of DCFS and others within DCFS. The restriction is not intended to limit the distribution of this report, which is a matter of public record.



Los Angeles, California
January 3, 2000

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

STATUS OF PRIOR YEAR'S AUDIT FINDING
For the Year Ended June 30, 1999

1. Criteria and Condition

According to the contracts, the administrative and other related child care costs (ORCCC) associated with the child development programs should not exceed 25% of net reimbursable costs for Project No. 19-Y196-00-03186-7, 19-Y196-00-03601-7 and 19-Y196-00-03638-6 Expansion. During our testing, we noted that the administrative costs and ORCCC cap were exceeded for the following contracts.

<u>Project Number</u>	<u>Administrative Costs and ORCCC Cap</u>	<u>Actual Administrative Costs and ORCCC Cost</u>	<u>Amount in Excess of Cap</u>
19-Y196-00-03186-7	\$292,519	\$323,605	\$31,086
19-Y196-00-03601-7	\$1,272,149	\$1,272,329	\$180
19-Y196-00-03638-6 Expansion	\$813,200	\$816,598	\$3,398

For Project Number 19-Y196-00-03186-7, the excess was due primarily to the payment of administrative and other related child care costs to DPSS.

Current Year Status

The administrative and other related child care costs (ORCCC) for all four projects did not exceed the administrative and ORCCC cap as specified under their respective Funding Terms and Conditions. Therefore, this finding is no longer applicable.